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CENTRAL INTELLIGENCE BULLETIN



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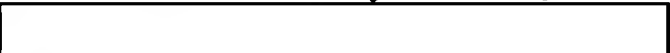
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CENTRAL INTELLIGENCE BULLETIN

7 May 1958

DAILY BRIEF

I. THE COMMUNIST BLOC

yes  *Soviet summit tactics: The 12-point agenda for a summit meeting which Foreign Minister Gromyko gave to the three Western ambassadors on 5 May was a detailed repetition of virtually all Soviet proposals since 10 December without any major modifications. In his separate talks with the three ambassadors, Gromyko is unlikely to elaborate much further on the 12 points and will probably press instead for detailed Western responses to the Soviet proposals. If such a response is not forthcoming at an early date, the USSR will probably contend that further ambassadorial talks would be fruitless and demand an early convening of the foreign ministers. 

yes Berlin: Western barge traffic through East Germany stopped on 5 May when bargemen refused to pay higher tolls imposed by East Germany. The Bonn and West Berlin governments are discussing the question of paying the new charges. They consider the East German reasons for the tax to be fraudulent and are looking for ways to retaliate. The East Germans hope that the continued use of such tactics will serve to remind the West Germans of the Communist view that government-to-government negotiations are the way to solve German issues.  (Map)

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yes

Middle East: The worst drought in over 20 years accompanied by the heaviest locust infestation in more than 10 years threatens to bring about near-famine conditions in several Middle Eastern countries by this summer. Crop failures will lead to severe economic and possibly political problems, especially in the United Arab Republic and Jordan. The United States can expect to receive numerous requests for aid. [REDACTED]

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no

Lebanon: Public statements by the minister of public works that his government will ask the United States for about \$170,000,000 in aid over the next six years probably place the Lebanese Government in a position from which it will be difficult to retreat without serious loss of face. If the Lebanese cabinet does not repudiate the minister's statement, it might feel compelled to appease the opposition by repudiating the Eisenhower doctrine. Foreign Minister Malik has suggested [REDACTED] the United States grant Lebanon \$25,000,000 a year for the "initial years" of a six-year development program. [REDACTED]

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yes

India: The public announcement by the National Development Council, India's highest planning body, that several important segments of India's Second Five-Year Plan (1956-1961) are behind schedule, and that other important aspects of the plan are to be curtailed will create further problems for the Nehru government at a time when the Indian public is becoming increasingly aware of weaknesses in the Congress party. The cuts are necessitated by a shortage of domestic and foreign capital as well as rising costs. Agricultural and industrial development programs have lagged

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[REDACTED]

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during the first two full years of the plan, and government spending for the first three years will probably come to only about half of the total projected outlay. [REDACTED]

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yes
Iran-Pakistan: The Shah of Iran plans to discuss the possibility of a federation involving Iran, Pakistan, and possibly Afghanistan when he sees Pakistani President Mirza in Karachi on 13 May. The subject of some form of union has been broached several times during the past month by top Iranian and Pakistani officials. Iran has previously discussed the idea with Turkey, but the Ankara government's attitude was cool. While the creation of a new alliance in the near future is unlikely, the discussions reflect continuing concern in the area over the future of the Baghdad Pact. The Shah is motivated partly by a desire to share the advantages of Pakistan's relatively modern armed forces, and hopes that Pakistan may be interested in the possibility of access to Iran's oil revenues. [REDACTED]

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III. THE WEST

no
*France: The Popular Republicans' decision on 6 May to join a government formed by Pleven gives him a fair chance of being invested, but the attitude of the Independents remains in doubt. Their position will probably be determined on the basis of Pleven's selection of ministers. The Socialists have agreed to support Pleven, but not to participate. Pleven's government would probably be a narrowly based centrist coalition, representing directly only about 150 of the 595 deputies in the National Assembly. [REDACTED]

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[REDACTED] Brazil: The agreement with Poland on 2 May to barter coffee for 14 small cargo ships is a reflection of Brazil's continuing foreign exchange crisis and its disappointment over its failure to obtain ships from the US reserve merchant fleet. The government may also be receptive to a reported Rumanian offer to furnish drilling equipment for

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the government oil monopoly in exchange for agricultural commodities. Limited agreements of this nature, however, do not constitute a change in Brazil's over-all trade policy, which is oriented essentially toward trade with free world countries.

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I. THE COMMUNIST BLOC

USSR Proposes Comprehensive Summit Agenda

Foreign Minister Gromyko's 12-point summit agenda is a comprehensive restatement of virtually all Soviet proposals since 10 December for discussions at a summit conference. It does contain some minor changes, but no major modifications. In his separate talks with the Western ambassadors, Gromyko will probably press for detailed responses. If such a response is not forthcoming at an early date, the USSR will probably demand an earlier convening of the foreign ministers, contending that the ambassadorial talks have been valueless.

The USSR may argue that its comprehensive list of agenda items should be used as the basis for negotiation, because it contains all the major categories of legitimate issues raised so far by either side. Moscow will continue to refuse to discuss Eastern Europe on the ground that it is outside the competence of a summit conference.

The USSR still seeks to avoid a discussion of German unification by placing a German peace treaty on the agenda instead. It has modified its previous proposal that the summit conference conclude such a treaty and now suggests that it only agree on the basic principles of a treaty.

Moscow continues to give great emphasis to the termination of nuclear tests, the first item on the agenda. It says that British and American suspension of tests would make possible an agreement at the summit "consolidating these decisions" which could be followed by discussion of control arrangements.

One new feature designed to increase public support for the proposals is the emphasis on mutual assistance to underdeveloped areas, particularly the Middle East.

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Berlin Mayor Brandt Seeking Retaliation for New Barge Taxes

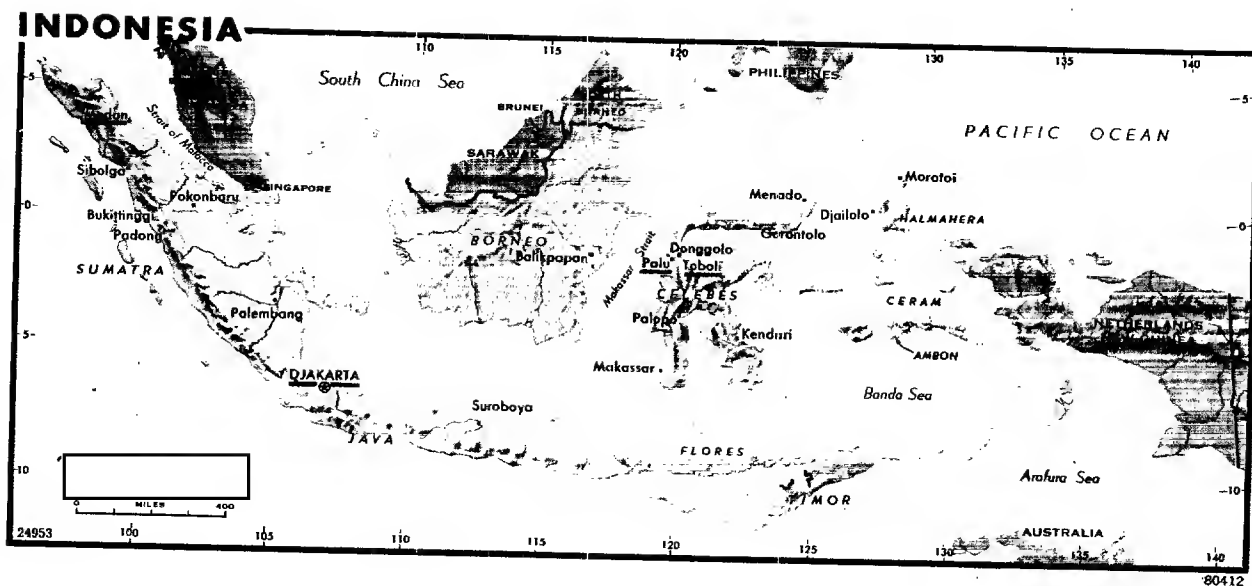
West Berlin's Mayor Brandt, who went to Bonn on 5 May to discuss with the West German cabinet the new higher taxes on barge traffic to Berlin imposed by the East Germans, believes that Bonn might retaliate by levying similar taxes on East German barges moving to Hamburg. Such retaliation probably would be ineffective, however, because East Germany's Baltic ports have been handling increasing amounts of its ocean cargo, as well as satellite transit trade. Brandt described as "phony" the East German argument that the new barge taxes were justified on the grounds that an Elbe River dam, now under construction at Geesthacht near Hamburg, will cause a flood problem in East Germany.

The canals through East Germany carry about 2,500,000 tons of goods into West Berlin each year, including nearly all of West Berlin's bulk imports, such as coal and building materials.

In 1955, the East German regime drastically raised the tolls on West German truck traffic to Berlin, ostensibly for road repair. Since that time, the Bonn government has paid the truckers a subsidy to cover the increase in tolls. The last dispute over barge traffic occurred in 1955-56, when the USSR refused to renew barge permits. The matter was eventually worked out on a "semiofficial" basis between East and West German waterways technicians. The Berlin Senate will discuss with Bonn a possible budget subsidy for the new barge taxes, estimated by the press at \$7,000,000 annually and by the American Mission in Berlin at \$4,200,000.

The East German regime hopes by the use of such tactics to remind the West Germans that government-to-government negotiations are the way to resolve German problems.

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II. ASIA-AFRICA

Situation in Indonesia



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Djakarta forces in the Palu area include two battalions and one company brought in from Java and Borneo in early April and one battalion of North Celebes troops which has defected to the government. The North Celebes battalion has few weapons.

The Indonesian Army on 6 May arrested a number of persons in Djakarta, reported to be chiefly Chinese Nationalists, on charges of having engaged in "foreign subversive activity." The arrests presumably are connected with government threats of action against Chinese in Indonesia if alleged Chinese Nationalist aid to the dissidents did not stop.

The American air attaché in Djakarta has been informed that four Russian instructors on board an Indonesian merchant ship recently purchased from the Soviet Union were killed late in April when the ship was bombed by dissident aircraft in Makassar Strait.



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Drought and Locusts Menace Middle East

Near-famine conditions are threatened in some Near Eastern countries as the result of severe drought and heavy locust infestation. In Israel, exceptionally dry hot weather has caused a complete crop failure in the Negeb and poor crops elsewhere. Famine conditions are predicted in Jordan this summer--45 percent of the population have already been affected by the drought, and the value of the expected crop loss is estimated at one third of the regular national budget. Growing unemployment among agricultural workers will have serious political repercussions if the government is unable to furnish them work.

Iraq's agriculture has been struck a double blow by locusts and drought. While Iraq has about 50,000 tons of wheat on hand which might be exported, this may be reserved for internal consumption in light of the crop losses. Syria, normally a wheat exporter, will have only a small quantity for export this year--a surplus which will be reserved to meet Egypt's requirements. In the eastern desert, 800,000 sheep are reported threatened by the drying up of watering places and sparseness of grass. President Nasir is said to be seriously concerned that the Syrian crop situation will engender political difficulties as well as put a strain on Egypt's economy by cutting off an anticipated source of wheat imports.

A Syrian ban on grain exports will directly affect Lebanon, which imports about 75 percent of its wheat requirements. In addition, agricultural production may have been reduced by several locust swarms. Reports from Saudi Arabia in mid-April stated that all agricultural and most garden crops in central and eastern Arabia were threatened by the worst locust infestation in 14 years. About 10,000 egg-infested acres of land in Kuwait have produced swarms of locusts that have flown into Iraq and Iran.

Many Middle Eastern governments can be expected to apply to the United States for economic assistance.

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India's Second Five-Year Plan to be Cut Back

The National Development Council, Indian's top economic planning body, has just completed a review of progress thus far under the five-year plan and has outlined future prospects. Its findings indicate that important segments of the plan are behind schedule and that a shortage of domestic and foreign capital as well as rising costs will force major cuts in the plan.

India's most important problem, increasing agricultural production to keep pace with an annual population growth of 5,000,000 persons, is not yet being solved. Deficit financing has been used to a greater extent than had been planned, and alternate sources of financing will have to be developed in 1959-1961 if deficit financing is not to be carried beyond safe limits. Government development expenditures at the end of three years are expected to reach \$5.1576 billion, or only about half of the \$10.08 billion set as the five-year goal. Private investment is apparently keeping pace with planned targets.

In order to minimize adverse reactions, New Delhi has decided to keep the government's development expenditure goal at the original \$10.08 billion figure. Since costs have risen considerably since the plan was first drafted, however, the government recognizes it may get some 15 percent less than anticipated for its money. A strenuous effort will be made to keep high-priority targets involving agriculture, steel mills, mining, and power. Among the projects to be cut back is the popular community development program, which is raising the standards of farming, health, and education in India's villages.

Serious cutbacks or failures--especially in food production--would produce unfavorable reactions from state governments and local populations which have counted on benefiting from much-publicized development programs, and Nehru's ruling Congress party would find it increasingly difficult to justify its continuance in office.

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Talk of Pakistani-Iranian Confederation Continues

The subject of a confederation involving Pakistan, Iran, and possibly Afghanistan has continued to be actively discussed by high Iranian and Pakistani officials, including the chiefs of state. This talk is still in an exploratory stage, considering varying degrees of unity and even varying combinations of states, and no serious negotiation or joint study of the problems involved is known to have been proposed as yet.

The Shah of Iran has expressed the most interest in a Pakistani-Iranian confederation, envisioning himself as chief of the new state. During a visit to Karachi on 13 May, he is expected to discuss the advantages and obstacles of confederation with Pakistani President Mirza,

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No firm agreement involving a cession of power by a government or leader in favor, for instance, of a unified military command or a single foreign policy seems likely in the near future.

The viability of the confederation idea, however, reflects continued concern over the future of the Baghdad Pact organization in relation to the UAR and the Jordanian-Iraqi federation. Ankara, with which Tehran has discussed the idea of confederation, has reacted coolly.

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III. THE WEST

Brazilian-Polish Barter Agreement

A trade contract under which Poland is to supply Brazil with 14 cargo vessels was concluded on 2 May. The agreement totaling about \$25,000,000 each way, calls for Poland to begin deliveries of these ships in 1966 and to accept \$18,000,000 worth of coffee over a three-year period. By expanding the government-owned segment of the Brazilian merchant fleet, the government hopes to save foreign exchange and improve its bleak long-term payments outlook. Until recently, Brazil had been unsuccessfully pressing a request for 24 merchant vessels from the US reserve fleet.

The Brazilian Government has been under heavy political pressure to expand trade ties with the Soviet bloc, especially in view of the continuing foreign exchange crisis and the mounting stocks of government-held surplus coffee. The Brazilian National Security Council has been dubious about the value of expanding such trade, and most trade officials have long opposed barter arrangements. The prospect of new austerity measures under a proposed stabilization and loan plan recently submitted to the International Monetary Fund has apparently impelled the government to investigate barter deals as a means of helping to finance its economic development program. This situation may also make the government more receptive to repeated Rumanian barter offers involving oil drilling equipment for the Brazilian national monopoly.

Brazil has shown some interest in Polish and Czech offers since mid-1956 of heavy equipment and "complete industrial installations," and has accepted short-term credits from Poland of about \$30,000,000. Limited agreements of this type, however, would not represent any change in Brazil's over-all trade policy, which is essentially oriented toward multilateral arrangements with the West.

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